

Message Text

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ACTION EB-11

INFO OCT-01 NEA-10 ISO-00 AID-20 CIAE-00 FRB-02 INR-10

NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03 CIEP-02

LAB-06 SIL-01 OMB-01 AGR-20 L-03 FEA-02 INT-08 DRC-01

/121 W

----- 064175

R 030745Z APR 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 0621

INFO USDOC WASHDC

UNCLAS NEW DELHI 4437

E.O. 11652: N/A

TAGS: BEXP XX

SUBJECT: POTENTIAL MAJOR EXPORT PROJECT SALES IN FERTILIZER
INDUSTRY DEVELOPMENT

REF: (A) STATE 55576 (B) NEW DELHI A-509, DEC 15, 1972
(C) NEW DELHI A-44, JANUARY 29, 1973 (D) NEW DELHI
AGRICULTURAL REPORT IN 4001, JANUARY 2, 1974

1. REF (B) AND (C) OUTLINED GO'S DETAILED PLANS TO ESTABLISH
ADDITIONAL FACILITIES FOR THE MANUFACTURE OF FERTILIZERS. THE
DRAFT FIFTH FIVE YEAR PLAN ENVISAGES A TOTAL PRODUCTION CAPACITY
OF 7.0 MILLION METRIC TONS OF N AND 17.7 MILLION METRIC TONS OF
P205 BY MARCH 31, 1979. AS OF OCTOBER 15, 1973, 56 EXISTING PLANTS
IN INDIA HAD A COMBINED INSTALLED CAPACITY OF 2.55 MILLION METRIC
TONS (1.98 MILLION METRIC TONS N AND 0.57 MILLION METRIC TONS
P205) ANNUALLY.

2. THUS FAR, THE GOI HAS APPROVED IN PRINCIPLE ESTABLISHMENT OF
FIVE ADDITIONAL EXPANSIONS/NEW UNITS IN THE PUBLIC SECTOR AND
THREE IN THE PRIVATE SECTOR. THE CORNER STONE OF ONE OF THE PUBLIC
SECTOR PLANTS IN PARADEEP (ORISSA) WAS LAID BY THE PRIME MINISTER
INDIRA GANDHI ON APRIL 1, 1974. FOURTEEN ADITONAL PROPOSALS
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ARE CURRENTLY REPORTED TO BE UNDER CONSIDERATION. DETAILS OF THE

PROJECTS APPROVED IN PRINCIPLE AND THOSE UNDER CONSIDERATION AS OF OCTOBER 15, 1973 ARE BEING AIRPOUCHED.

3. FUEL OIL WOULD BE THE FEEDSTOCK OF THE PROPOSED FERTILIZER PLANTS UNTIL COAL GASIFICATION TECHNIQUES FOR LARGE-SIZED PLANTS ARE FULLY ESTABLISHED. MEANWHILE, COAL BASED FERTILIZER PLANTS APPEAR TO HAVE EXCELLENT POTENTIAL IN LIGHT OF THE COUNTRY'S EXTENSIVE COAL RESERVES, PETROLEUM PRODUCT SHORTAGES AND ESCALATING COSTS OF OIL IMPORTS. ACCORDING TO THE GOI, FOREIGN TECHNOLOGY WILL BE WELCOME, PARTICULARLY FOR COAL BASED PLANTS.

4. AS MENTIONED IN REF (B) SOURCES OF IMPORTING TECHNOLOGY AND EQUIPMENT FOR THE PROPOSED FERTILIZER EXPANSION PROGRAMS WILL BE LARGELY DETERMINED ON AVAILABLE FINANCING. ONE EXAMPLE IS CURRENT JAPANESE PROPOSAL TO CONSTRUCT THREE NEW FERTILIZER PLANTS AGAINST YEN CREDIT. AN AGREEMENT COVERING THE JAPANESE LOAN OF YEN 11 BILLION (APPROX DOLS40 MILLION) FOR THE FIRST OF THREE PROPOSED PLANTS HAS BEEN SIGNED RECENTLY. ADDITIONALLY, THE UK, FRANCE, DENMARK, AND OTHERS HAVE EXPRESSED INTEREST IN EXTENDING CREDITS FOR THE ESTABLISHMENT OF AN EXPANDED FERTILIZER CAPACITY IN INDIA (FOR EXAMPLE, FRANCE IS CONTRIBUTING TO THE PARADEEP PLANT MENTIONED IN PARA 2 ABOVE).SCHNEIDER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 03 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974NEWDE04437
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740074-0725
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740471/aaaacmvm.tel
Line Count: 83
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: (A) STATE 55576 (B) NEW DELHI A-509
Review Action: RELEASED, APPROVED
Review Authority: WorrelSW
Review Comment: n/a
Review Content Flags:
Review Date: 05 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 JUN 2002 by bryansd0>; APPROVED <16 DEC 2002 by WorrelSW>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: POTENTIAL MAJOR EXPORT PROJECT SALES IN FERTILIZER INDUSTRY DEVELOPMENT
TAGS: BEXP, XX
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005